

BENDIGO BANK LIMITED

ABN 11 068 049 178

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2006

CORPORATE INFORMATION

This half year report covers the consolidated entity comprising Bendigo Bank Limited and its subsidiaries ("the Group").

A description of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report.

Directors

Robert N Johanson (Chairman)
Robert G Hunt AM (Managing Director)
Neal J Axelby
Jennifer L Dawson
Donald J Erskine
Terence J O'Dwyer
Deborah L Radford
Kevin E Roache
Antony D Robinson

Company Secretary

David A Oataway

Registered Office

Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo Victoria 3550

Telephone (03) 5433 9339
Fax (03) 5433 9690

Principal place of business

Fountain Court
Bendigo Victoria 3550

Share Registry

Securities Registry
Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo Victoria 3550

Telephone (03) 5433 9549
Fax (03) 5433 9029

Auditors

Ernst & Young
Australia

DIRECTORS' REPORT

Your Directors submit their report for the half year ended 31 December 2006.

Directors

The names of the directors of the Board of Bendigo Bank who have held office during the half year and up to the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Robert N Johanson (Chairman)
Robert G Hunt AM (Managing Director)
Neal J Axelby
Jennifer L Dawson
Donald J Erskine
Terence J O'Dwyer
Deborah L Radford
Kevin E Roache
Antony D Robinson

Review of Operations

The principal activities of the Company and its controlled entities during the financial year were the provision of a range of banking and other financial services, including retail banking, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation, financial advisory and trustee services.

The Group recorded continued growth in income and profits during the half year. Total income rose \$30.1 million or 12.1% to \$277.7 million when compared with the half year ended 31 December 2005. Profit before tax increased by \$5.7 million, or 7.6%, to \$80.7 million. Profit after tax increased by \$1.0 million to \$54.3 million and included an after tax \$5.6 million expense associated with an issue of shares under the group's employee share plan.

Group assets increased 5%, or \$0.7 billion during the half year. Group assets at 31 December 2006 were \$15.9 billion. The total capital adequacy ratio increased during the half from 10.77% to 10.95%. Tier one capital increased during the half year from 8.33% to 8.38% with Tier two capital increasing from 2.44% to 2.57%.

Fully franked dividends paid on preference shares during the half year:

A dividend of 131.68 cents per share was paid on 15 September 2006.
A dividend of 134.64 cents per share was paid on 15 December 2006.

Fully franked dividends paid or declared on ordinary shares during the half year:

A final dividend of 30.0 cents per share was paid on 29 September 2006 in respect of the year ended 30 June 2006.
An interim dividend of 24.0 cents per share has been declared and will be payable on 30 March 2007.

Significant Changes in the State of Affairs

The following significant change in the state of affairs of the chief entity occurred during the half year:

In September 2006, 818,654 shares were allotted at an issue price of \$13.62 to those shareholders participating in the Dividend Reinvestment Plan, increasing ordinary share capital by \$11.1 million.
In October 2006, 1,520,662 shares were allotted at an issue price of \$13.54 to staff (other than executives) under the employee share plan, increasing ordinary share capital and ESOP shares by \$20.6 million.

In the opinion of the directors, there were no other significant changes in the state of affairs of the economic entity that occurred during the half year under review not otherwise disclosed in this report or the financial statements.

Events After Balance Sheet Date

No matters or circumstances have arisen since the end of the half year to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

Independence of auditor

The Bank's audit committee has conducted an assessment of the independence of the external auditor for the period ended 31 December 2006. The assessment was conducted on the basis of the Bank's audit independence policy and the requirements of the Corporations Act 2001. The assessment included a review of non-audit services provided by the auditor and an assessment of the independence declaration issued by the external auditor for the period ended 31 December 2006. The audit committee's assessment confirmed that the independence requirements have been met. The audit committee's assessment was accepted by the full Board.

The following independence declaration has been obtained from our auditors, Ernst & Young.



■ Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

■ Tel 61 3 9288 8000
Fax 61 3 8650 7777

GPO Box 67
Melbourne VIC 3001

Auditor's Independence Declaration to the Directors of Bendigo Bank Limited

In relation to our review of the financial report of Bendigo Bank Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Brett Kallio
Partner
12 February 2007

Liability limited by a scheme approved under
Professional Standards Legislation

Signed in accordance with a resolution of the Board of Directors

R N Johanson, Chairman
Bendigo
12 February 2007

CONDENSED INCOME STATEMENT

for the half year ended 31 December 2006

Notes

	Consolidated		
	2006	2005	
	\$m	\$m	
Income			
Net interest income			
Interest income	500.9	431.3	
Interest expense	324.5	277.6	
Sub-total - net interest income	176.4	153.7	
Securitisaton interest income	13.8	18.3	
Securitisaton interest expense	12.4	16.2	
Sub-total - securitisation net interest income	1.4	2.1	
Total interest income	514.7	449.6	
Total interest expense	336.9	293.8	
Total net interest income	177.8	155.8	
Other revenue			
Dividends	2.1	1.4	
Fees	56.4	51.1	
Commissions	22.2	20.0	
Other	5.7	6.5	
Total other revenue	86.4	79.0	
Other income	1.6	1.8	
Share of associates' and joint ventures net profits/losses	11.9	11.0	
Total income after interest expense	277.7	247.6	
Expenses			
Bad and doubtful debts	4.0	2.2	
Other expenses			
Staff and related costs	94.7	84.9	
Occupancy costs	15.2	14.4	
Information technology costs	17.4	13.8	
Amortisation of intangibles	2.7	2.8	
Property, plant & equipment costs	5.2	4.9	
Fees and commissions	10.4	9.3	
Communications, postage & stationery	11.5	10.9	
Advertising & promotion	6.4	6.6	
Other product & services delivery costs	9.5	9.1	
Employee equity settled transaction cost	5.6	-	
Other administration expenses	14.4	13.7	
Total other expenses	193.0	170.4	
Profit before income tax expense	80.7	75.0	
Income tax expense	(26.4)	(21.6)	
Net profit	54.3	53.4	
Net (profit)/loss attributable to minority interest	-	(0.1)	
Net profit attributable to members of Bendigo Bank Limited	54.3	53.3	
Basic earnings per ordinary share (cents per share)	7	38.2	38.2
Diluted earnings per ordinary share (cents per share)	7	38.2	38.2
Franked dividends per share (cents per share)	5	24.0	22.0

BALANCE SHEET

as at 31 December 2006

	Notes	Consolidated		
		As at	As at	As at
		31-Dec-06	30-Jun-06	31-Dec-05
		\$m	\$m	\$m
Assets				
Cash and cash equivalents		242.4	270.8	290.7
Due from other financial institutions		82.5	209.0	62.7
Derivatives		48.4	28.4	19.5
Financial assets available for sale - securities		279.4	360.9	354.0
Financial assets available for sale - share investments		116.5	94.4	73.7
Financial assets held to maturity		1,684.3	1,370.6	1,461.4
Loans and other receivables		12,976.3	12,436.7	11,873.1
Investments in associates and joint ventures		147.6	143.5	127.1
Property, plant & equipment		115.0	81.1	66.2
Investment property		15.7	-	-
Intangible assets		88.6	89.6	85.7
Deferred tax assets		34.2	27.4	21.2
Other assets		111.8	83.7	90.8
Total Assets		15,942.7	15,196.1	14,526.1
Liabilities				
Due to other financial institutions		134.1	166.3	68.2
Deposits		14,317.6	13,599.8	13,108.8
Derivatives		28.0	20.0	27.5
Financial liabilities		146.9	140.0	160.8
Income tax payable		15.5	9.9	4.9
Provisions		38.3	37.4	33.0
Deferred tax liabilities		21.5	16.1	12.6
Subordinated debt - at amortised cost		287.2	307.1	307.1
Total Liabilities		14,989.1	14,296.6	13,722.9
Net Assets		953.6	899.5	803.2
Equity				
Parent entity interest				
Issued capital - ordinary	11	595.7	564.1	555.8
Perpetual non-cumulative redeemable convertible preference shares		88.5	88.3	43.5
ESOP shares		(43.9)	(25.6)	(27.4)
Reserves		110.5	78.8	70.7
Retained earnings		203.5	194.5	161.2
Total parent entity interest in equity		954.3	900.1	803.8
Total minority interest		(0.7)	(0.6)	(0.6)
Total Equity		953.6	899.5	803.2

CASH FLOW STATEMENT
for the half year ended 31 December 2006

	Consolidated	
	2006	2005
	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other items of a similar nature received	501.1	439.9
Interest and other costs of finance paid	(317.7)	(264.0)
Receipts from customers (excluding effective interest)	85.3	81.1
Payments to suppliers and employees	(230.1)	(133.1)
Dividends received	8.7	9.8
Income taxes paid	(23.1)	(21.6)
Net cash flows from operating activities	<u>24.2</u>	<u>112.1</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows for purchases of property, plant and equipment	(50.2)	(11.9)
Cash proceeds from sale of property, plant and equipment	0.5	3.2
Cash paid for purchases of equity investments	(4.6)	(1.1)
Cash proceeds from sale of equity investments	-	0.4
Net increase in balance of loans outstanding	(536.6)	(408.3)
Net increase in balance of investment securities	(217.2)	(245.4)
Net cash increase on derecognition of a subsidiary	-	0.7
Net cash flows used in investing activities	<u>(808.1)</u>	<u>(662.4)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from preference share instalment	0.2	-
Net increase in balance of retail deposits	515.2	931.5
Net (decrease)/increase in balance of wholesale deposits	194.8	(415.9)
Proceeds from issue of subordinated debt	40.0	75.0
Repayment of subordinated debt	(59.9)	(30.1)
Dividends paid	(31.4)	(26.1)
Repayment of ESOP shares	2.3	2.6
Net cash flows from financing activities	<u>661.2</u>	<u>537.0</u>
Net increase/(decrease) in cash and cash equivalents held	(122.7)	(13.3)
Add cash and cash equivalents at the beginning of the financial period	313.5	298.7
Cash and cash equivalents at the end of the half year	<u>190.8</u>	<u>285.4</u>

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Bendigo Bank Limited					Total	Minority interest	Total equity
	Issued capital	ESOP shares	Perpetual non-cum redeem conv pref shares	Retained earnings	Other reserves			
	\$m	\$m	\$m	\$m	\$m			
CONSOLIDATED								
At 1 July 2005								
Opening balance b/fwd	546.3	(30.0)	43.0	157.8	4.0	721.1	(0.4)	720.7
AIFRS opening balance adjustments	-	-	-	(10.8)	59.5	48.7	-	48.7
Other open bal adjusts-associates	-	-	-	(0.4)	0.6	0.2	-	0.2
Adjusted opening balance	546.3	(30.0)	43.0	146.6	64.1	770.0	(0.4)	769.6
Net gains on AFS financial assets	-	-	-	-	3.6	3.6	-	3.6
Total income and expense for the half-year recognised directly in equity	-	-	-	-	3.6	3.6	-	3.6
Profit for the half year	-	-	-	53.3	-	53.3	(0.2)	53.1
Total income for the half year	-	-	-	53.3	3.6	56.9	(0.2)	56.7
Issue of share capital	9.5	-	-	-	-	9.5	-	9.5
Preference share instalment (net)	-	-	0.5	-	-	0.5	-	0.5
Reduction in ESOP shares	-	2.6	-	-	-	2.6	-	2.6
Movements in GRCL	-	-	-	(2.0)	2.0	-	-	-
Movements in GRCL-associates	-	-	-	(1.0)	1.0	-	-	-
Equity dividends	-	-	-	(35.7)	-	(35.7)	-	(35.7)
At 31 December 2005	555.8	(27.4)	43.5	161.2	70.7	803.8	(0.6)	803.2
At 1 January 2006	555.8	(27.4)	43.5	161.2	70.7	803.8	(0.6)	803.2
Other adjustments	-	-	-	2.4	-	2.4	-	2.4
Other adjusts-associates	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Total adjustments	-	-	-	1.8	-	1.8	-	1.8
Net gains on AFS financial assets	-	-	-	-	3.7	3.7	-	3.7
Gains/losses on cash flow hedges	-	-	-	-	2.3	2.3	-	2.3
Gain/loss on c/flow hedges-assoc	-	-	-	-	0.4	0.4	-	0.4
Total income and expense for the half-year recognised directly in equity	-	-	-	-	6.4	6.4	-	6.4
Profit for the half year	-	-	-	63.4	-	63.4	-	63.4
Total income for the half year	-	-	-	63.4	6.4	69.8	-	69.8
Issue of share capital	8.3	-	-	-	-	8.3	-	8.3
Preference share instalment (net)	-	-	44.8	-	-	44.8	-	44.8
Reduction in ESOP shares	-	1.8	-	-	-	1.8	-	1.8
Transfer from asset reval reserve	-	-	-	0.3	(0.3)	-	-	-
Movements in GRCL	-	-	-	(1.9)	1.9	-	-	-
Movements in GRCL-associates	-	-	-	(0.1)	0.1	-	-	-
Equity dividends	-	-	-	(30.2)	-	(30.2)	-	(30.2)
At 30 June 2006	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
At 1 July 2006								
Opening balance b/fwd	564.1	(25.6)	88.3	194.5	78.8	900.1	(0.6)	899.5
Net gains on AFS financial assets	-	-	-	-	11.5	11.5	-	11.5
Gains/losses on cash flow hedges	-	-	-	-	11.6	11.6	-	11.6
Gain/loss on c/flow hedges-assoc	-	-	-	-	-	-	-	-
Increase in Employee benefits res	-	-	-	-	5.8	5.8	-	5.8
After tax increase in asset reval res	-	-	-	-	-	-	-	-
Total income and expense for the half-year recognised directly in equity	-	-	-	-	28.9	28.9	-	28.9
Profit for the half year	-	-	-	54.3	-	54.3	-	54.3
Total income for the half year	-	-	-	54.3	28.9	83.2	-	83.2
Issue of share capital	31.7	(20.6)	0.2	-	-	11.3	-	11.3
Share issue expenses	-	-	-	-	-	-	-	-
Reduction in ESOP shares	-	2.3	-	-	-	2.3	-	2.3
Movement in GRCL	-	-	-	(1.8)	1.8	-	-	-
Movement in GRCL-associates	-	-	-	(0.9)	0.9	-	-	-
Equity dividends	-	-	-	(42.5)	-	(42.5)	-	(42.5)
Other	(0.1)	-	-	(0.1)	0.1	(0.1)	(0.1)	(0.2)
At 31 December 2006	595.7	(43.9)	88.5	203.5	110.5	954.3	(0.7)	953.6

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 Corporate information

The half year financial report of Bendigo Bank Limited for the six months ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 12 February 2007.

Bendigo Bank Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The domicile of Bendigo Bank Limited is Australia.

The Group's functional and presentation currency is AUD (\$).

2 Summary of significant accounting policies

The half year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and finance and investing activities of the consolidated entity as would a full financial report.

It is recommended that the half year report is read in conjunction with the Annual Financial Report of Bendigo Bank Limited as at 30 June 2006, which was prepared based on Australian Accounting Standards, together with any public announcements made by Bendigo Bank Limited and its controlled entities during the half year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

2.1 Basis of preparation

Bendigo Bank Limited is a "prescribed corporation" in terms of the Corporations Act 2001. Financial reports prepared in compliance with the Banking Act are deemed to comply with the accounts provisions of the Corporations Act 2001.

The half year financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting", Corporations Act 2001 and the requirements of law so far as they are applicable to Australian banking corporations.

The half year financial report has been prepared in accordance with the historical cost convention, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at their fair value.

The amounts contained in this report and in the financial statements have been rounded off to the nearest \$'00,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

For the purposes of preparing the half year financial report, the half year has been treated as a discrete reporting period.

2.2 Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

2.3 Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period, except that the value of assets relating to properties recognised by Homesafe Trust have been reclassified from Financial assets - held to maturity to Investment property to better reflect the nature of these assets. Comparative figures have not been restated as the values are not material.

2.4 Changes in accounting estimates

The useful life of airconditioning plant has been increased from 4 years to 10 years for acquisitions from 1 July 2006. The revised useful life is based on the factors that the group purchases air conditioners of good quality and plant is well maintained throughout its life. This change will not have a material impact on trading results, but will reduce depreciation expense for air conditioning plant when compared to the previous useful life.

Pre-tax trading results for the current financial period have not been materially affected by this change.

The effect in future accounting periods is not disclosed as estimating it is impracticable.

3 SEGMENT INFORMATION

The group's primary reporting format is business segments and its secondary format is geographical segments.

Business segments

The operating businesses are organised and managed according to the nature of products and services provided and the key delivery channels, with each segment representing a strategic business unit that offers a different delivery method and/or different products and services.

Retail banking

Net interest income predominantly derived from the provision of first mortgage finance less the interest paid to depositors; and fee income from the provision of banking services delivered through the company-owned branch network.

Community banking

The group's share of interest predominantly derived from the provision of first mortgage finance less the interest paid to depositors; and fee income derived from the provision of banking services delivered through the community bank branch network.

Wealth solutions

Commission received as Responsible Entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services. Fees, commissions and interest from the provision of financial planning services.

Joint ventures, Alliances and unallocated corporate support

Profit share from equity accounted investments in associates, revenue from alliances and minor subsidiaries and unallocated corporate support business units.

Geographic segments

Bendigo Bank Limited and its controlled entities operate predominantly in the geographic areas of all Australian states and territories, providing banking and other financial services.

3 SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit information and certain assets and liabilities regarding business segments for the six months ended 31 December 2006, 30 June 2006 and 31 December 2005.

For the six months ended 31 December 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	143.3	30.3	4.2	-	177.8
<i>Other income</i>					
Other external income	50.0	12.5	23.8	1.7	88.0
Other intersegment income	0.1	-	0.1	(0.2)	-
Total other income	50.1	12.5	23.9	1.5	88.0
<i>Share of net profit of equity accounted investments</i>	-	-	-	11.9	11.9
<i>Total income after interest expense</i>					
External income after interest expense	193.3	42.8	28.0	13.6	277.7
Intersegment income after interest expense	0.1	-	0.1	(0.2)	-
Total income after interest expense	193.4	42.8	28.1	13.4	277.7
Results					
Segment result	82.3	29.8	15.2	(46.6)	80.7
Internal cost allocations	(22.1)	(16.1)	(1.1)	39.3	-
Consolidated entity profit from continuing operations before income tax expense	60.2	13.7	14.1	(7.3)	80.7
Income tax expense					(26.4)
Minority interests					-
Consolidated entity profit from continuing operations after income tax expense					54.3
Assets					
Segment assets	8,075.5	3,710.0	144.9	3,864.7	15,795.1
Equity accounted assets	-	-	-	147.6	147.6
Total on-balance sheet assets	8,075.5	3,710.0	144.9	4,012.3	15,942.7
Originated and managed assets	1,077.5	290.5	810.5	14.8	2,193.3
Total on and off-balance sheet assets	9,153.0	4,000.5	955.4	4,027.1	18,136.0
Liabilities					
Total on-balance sheet liabilities	6,790.0	4,441.7	175.5	3,581.9	14,989.1
Funds under management	1,514.3	515.0	1,285.4	1.9	3,316.6
Total on and off-balance sheet liabilities	8,304.3	4,956.7	1,460.9	3,583.8	18,305.7
Other segment information:					
<i>Non-cash expenses</i>					
Depreciation	5.5	0.7	0.1	0.1	6.4
Amortisation of intangibles	2.1	0.5	0.1	-	2.7
Non-cash expenses other than depreciation & amortisation	11.1	2.7	7.9	(4.8)	16.9
<i>Acquisition of property, plant and equipment, intangible assets and other non-current assets</i>	2.7	-	0.9	51.3	54.9

Applicable commercial rates are used as the basis for pricing intersegment funding.
Internal cost allocations are undertaken on the basis of internal objective assessments.

3 SEGMENT INFORMATION (continued)

Business segments

For the six months ended 30 June 2006

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	130.8	24.8	3.8	-	159.4
<i>Other income</i>					
Other external income	53.8	13.9	21.6	9.4	98.7
Other intersegment income	0.2	-	0.1	(0.3)	-
Total other income	54.0	13.9	21.7	9.1	98.7
<i>Share of net profit of equity accounted investments</i>	-	0.1	-	11.1	11.2
<i>Total income after interest expense</i>					
External income after interest expense	184.6	38.8	25.4	20.5	269.3
Intersegment income after interest expense	0.2	-	0.1	(0.3)	-
Total income after interest expense	184.8	38.8	25.5	20.2	269.3
Results					
Segment result	72.8	24.1	14.1	(20.3)	90.7
Internal cost allocations	(16.7)	(13.3)	(0.6)	30.6	-
Consolidated entity profit from continuing operations before income tax expense	56.1	10.8	13.5	10.3	90.7
Income tax expense					(27.4)
Minority interests					0.1
Consolidated entity profit from continuing operations after income tax expense					63.4
Assets					
Segment assets	7,791.3	3,320.0	149.5	3,791.8	15,052.6
Equity accounted assets	-	-	-	143.5	143.5
Total on-balance sheet assets	7,791.3	3,320.0	149.5	3,935.3	15,196.1
Originated and managed assets	981.7	228.8	715.1	15.8	1,941.4
Total on and off-balance sheet assets	8,773.0	3,548.8	864.6	3,951.1	17,137.5
Liabilities					
Total on-balance sheet liabilities	6,611.9	4,007.3	179.3	3,498.1	14,296.6
Funds under management	1,368.9	416.2	1,181.0	0.8	2,966.9
Total on and off-balance sheet liabilities	7,980.8	4,423.5	1,360.3	3,498.9	17,263.5
Other segment information:					
<i>Non-cash expenses</i>					
Depreciation	5.0	1.0	0.2	0.1	6.3
Amortisation of intangibles	2.3	0.4	0.1	-	2.8
Non-cash expenses other than depreciation & amortisation	10.3	2.3	5.0	(3.3)	14.3
<i>Acquisition of property, plant and equipment, intangible assets and other non-current assets</i>	3.9	-	0.7	86.5	91.1

Applicable commercial rates are used as the basis for pricing intersegment funding.
Internal cost allocations are undertaken on the basis of internal objective assessments.

3 SEGMENT REPORTING (Continued)

Business segments

For the six months ended 31 December 2005

	Retail Banking	Community Banking	Wealth Solutions	J/Ventures, Alliances & Corp Supp't	Total
	\$m	\$m	\$m	\$m	\$m
Income					
<i>Net interest income</i>	128.7	23.7	3.4	-	155.8
<i>Other income</i>					
Other external income	49.1	11.2	19.7	0.8	80.8
Other intersegment income	0.3	-	0.1	(0.4)	-
Total other income	49.4	11.2	19.8	0.4	80.8
<i>Share of net profit of equity accounted investments</i>	-	(0.1)	-	11.1	11.0
<i>Total income after interest expense</i>					
External income after interest expense	177.8	34.8	23.1	11.9	247.6
Intersegment income after interest expense	0.3	-	0.1	(0.4)	-
Total income after interest expense	178.1	34.8	23.2	11.5	247.6
Results					
Segment result	73.0	19.1	12.5	(29.6)	75.0
Internal cost allocations	(20.5)	(8.9)	(1.0)	30.4	-
Consolidated entity profit from continuing operations before income tax expense	52.5	10.2	11.5	0.8	75.0
Income tax expense					(21.6)
Minority interests					(0.1)
Consolidated entity profit from continuing operations after income tax expense					53.3
Assets					
Segment assets	7,566.6	2,928.7	142.1	3,761.6	14,399.0
Equity accounted assets	-	-	-	127.1	127.1
Total on-balance sheet assets	7,566.6	2,928.7	142.1	3,888.7	14,526.1
Originated and managed assets	937.2	198.7	792.3	17.6	1,945.8
Total on and off-balance sheet assets	8,503.8	3,127.4	934.4	3,906.3	16,471.9
Liabilities					
Total on-balance sheet liabilities	6,591.0	3,614.9	170.1	3,346.9	13,722.9
Funds under management	1,386.9	382.2	1,182.2	0.6	2,951.9
Total on and off-balance sheet liabilities	7,977.9	3,997.1	1,352.3	3,347.5	16,674.8
Other segment information:					
<i>Non-cash expenses</i>					
Depreciation	5.6	0.2	0.1	0.2	6.1
Amortisation of intangibles	2.4	0.2	0.1	0.1	2.8
Non-cash expenses other than depreciation & amortisation	8.3	1.4	5.0	(3.8)	10.9
<i>Acquisition of property, plant and equipment, intangible assets and other non-current assets</i>	4.1	0.2	0.1	13.8	18.2

Applicable commercial rates are used as the basis for pricing intersegment funding.
Internal cost allocations are undertaken on the basis of internal objective assessments.

4 INCOME TAX

The major components of income tax expense for the half year end 31 December are:

	2006	2005
	\$m	\$m
Current income tax		
Current income tax charge	31.9	22.5
Adjustments in respect of current income tax of previous years	(0.1)	(1.1)
Deferred income tax		
Relating to origination and reversal of temporary differences	(5.4)	0.2
Income tax expense reported in the Condensed Income Statement	<u>26.4</u>	<u>21.6</u>

5 DIVIDENDS PAID OR PROVIDED

Ordinary shares

Dividends paid during the half year:

 Final dividend 2006 - 30.0 cents (Final dividend 2005 - 26.0 cents)

	2006	2005
	\$m	\$m
Final dividend 2006 - 30.0 cents (Final dividend 2005 - 26.0 cents)	<u>40.1</u>	<u>34.3</u>

Dividends proposed since the reporting date, but not recognised as a liability:

 Interim dividend 2007 - 24.0 cents (Interim dividend 2006 - 22.0 cents)

Interim dividend 2007 - 24.0 cents (Interim dividend 2006 - 22.0 cents)	<u>32.8</u>	<u>29.3</u>
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Preference shares

Dividends paid during the half year:

 A dividend of 131.68 cents per share was paid on 15 September 2006 (2005: 90.80 cents)

 A dividend of 134.64 cents per share was paid on 15 December 2006 (2005: 62.19 cents)

A dividend of 131.68 cents per share was paid on 15 September 2006 (2005: 90.80 cents)	1.2	0.8
A dividend of 134.64 cents per share was paid on 15 December 2006 (2005: 62.19 cents)	<u>1.2</u>	<u>0.6</u>
	<u>2.4</u>	<u>1.4</u>

6 PROPERTY, PLANT & EQUIPMENT

During the half year ended 31 December 2006, the Group acquired assets with a cost of \$50.2 million (2005: \$11.9 million), including \$28.2 million relating to the new head office development.

On 1 September 2006, the Bank announced it has contracted to sell its new headquarters in Bendigo for \$100 million in a sale-and-leaseback transaction arranged by Societe Generale Corporate & Investment Banking (SGCIB).

A consortium of investors arranged by SGCIB will purchase both the new development and the bank's existing Fountain Court building adjacent. The sale will occur on 1 September 2008 - after completion of the new building - with Bendigo taking a long-term lease.

Assets with a book value of \$0.5 million were disposed of by the Group during the half year ended 31 December 2006 (2005: \$3.2 million), resulting in a gain on disposal of Nil (2005: Nil).

7 EARNINGS PER ORDINARY SHARE

	half year Dec-06 Cents per share	half year Jun-06 Cents per share	half year Dec-05 Cents per share
Basic earnings per ordinary share	38.2	45.1	38.2
Diluted earnings per ordinary share	38.2	45.1	38.2
Cash basis earnings per ordinary share	39.0	38.5	34.7

	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share			
Profit for the half year	54.3	63.3	53.4
(Profit)/loss attributable to minority interests	-	0.1	(0.1)
	<u>54.3</u>	<u>63.4</u>	<u>53.3</u>

Reconciliation of earnings used in the calculation of diluted earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	54.3	63.4	53.3
Other non-discretionary changes in earnings arising from dilutive potential ordinary shares	-	-	-
	<u>54.3</u>	<u>63.4</u>	<u>53.3</u>

Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share			
Earnings used in calculating basic earnings per ordinary share	54.3	63.4	53.3
After tax intangibles amortisation (excluding amortisation of intangible software)	0.6	0.9	0.8
After tax significant income and expense items (1)	5.6	(7.1)	(1.3)
Dividends paid on preference shares	(2.4)	(1.1)	(1.4)
Movement in general reserve for credit losses	(1.8)	(1.9)	(2.0)
Movement in general reserve for credit losses - associates	(0.9)	(0.1)	(1.0)
	<u>55.4</u>	<u>54.1</u>	<u>48.4</u>

	No. of shares	No. of shares	No. of shares
Weighted ave no. of ordinary shares used in basic and cash basis earnings per ordinary share	141,991,653	140,498,350	139,624,245
Effect of dilution - share options relating to Managing Director and executives.	100,117	-	-
Weighted ave no. of ordinary shares used in diluted earnings per ordinary share	142,091,770	140,498,350	139,624,245

(1) Significant income and expense items after tax comprise:	\$m	\$m	\$m
<i>Income</i>			
Profit on deemed disposal of Select Managed Funds Limited shares	-	(10.9)	-
Accounting gain on change in equity accounted investment in Community Telco Australia P/L	-	-	(1.8)
<i>Expense</i>			
Expense relating to an issue of shares to staff under the Employee Share Plan	5.6	-	-
Review of carrying value of equity investment portfolio	-	3.8	-
Relocation costs of Melbourne-based staff to a new building at Docklands	-	-	0.5
	<u>5.6</u>	<u>(7.1)</u>	<u>(1.3)</u>

8 RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated		
	half year	half year	half year
	Dec-06	Jun-06	Dec-05
	%	%	%
Return on average ordinary equity	14.48	17.75	15.56
Pre-significant items return on average ordinary equity	15.98	15.77	15.18
Cash basis return on average ordinary equity	14.78	15.15	14.13
	\$m	\$m	\$m
Reconciliation of earnings used in the calculation of return on average ordinary equity			
Profit for the half year	54.3	63.3	53.4
(Profit)/loss attributable to minority interests	-	0.1	(0.1)
Earnings used in calculation of return on average ordinary equity	54.3	63.4	53.3
After tax significant income and expense items ⁽¹⁾	5.6	(7.1)	(1.3)
Earnings used in calculation of pre-significant items return on average ordinary equity	59.9	56.3	52.0
After tax intangibles amortisation (excluding amortisation of intangible software)	0.6	0.9	0.8
Dividends paid on preference shares	(2.4)	(1.1)	(1.4)
Movement in general reserve for credit losses	(1.8)	(1.9)	(2.0)
Movement in general reserve for credit losses - associates	(0.9)	(0.1)	(1.0)
Earnings used in calculation of cash basis return on average ordinary equity	55.4	54.1	48.4

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity

	As at	As at	As at
	31 Dec 06	30 Jun 06	31 Dec 05
	\$m	\$m	\$m
Total equity	953.6	899.5	803.2
Preference share net capital	(88.5)	(88.3)	(43.5)
Asset revaluation reserve - shares	(37.7)	(26.3)	(23.0)
Unrealised gains/losses on cash flow hedge reserve	(14.3)	(2.7)	-
General reserve for credit losses	(42.4)	(40.6)	(38.8)
General reserve for credit losses - associates	(7.4)	(6.5)	(5.8)
Minority interest	0.7	0.6	0.6
Ordinary equity	764.0	735.7	692.7
Average ordinary equity	749.9	714.2	685.0

(1) Significant income and expense items after tax comprise:

Income

Profit on deemed disposal of Select Managed Funds Limited shares	-	(10.9)	-
Accounting gain on change in equity accounted investment in Community Telco Australia P/L	-	-	(1.8)

Expense

Expense relating to an issue of shares to staff under the Employee Share Plan	5.6	-	-
Review of carrying value of equity investment portfolio	-	3.8	-
Relocation costs of Melbourne-based staff to a new building at Docklands	-	-	0.5
	5.6	(7.1)	(1.3)

9 NET TANGIBLE ASSETS PER ORDINARY SHARE

	As at Dec 06	As at Jun 06	As at Dec 05
Net tangible assets per ordinary share	\$ 5.06	\$ 4.78	\$ 4.48

Reconciliation of Net tangible assets used in calculation of net tangible assets per ordinary share

	\$m	\$m	\$m
Net assets	953.6	899.5	803.2
Intangibles	(88.6)	(89.6)	(85.7)
Preference shares - face value	(90.0)	(90.0)	(45.0)
General reserve for credit losses	(42.4)	(40.6)	(38.8)
General reserve for credit losses - associates	(7.4)	(6.5)	(5.8)
Minority interest	0.7	0.6	0.6
Net tangible assets	<u>725.9</u>	<u>673.4</u>	<u>628.5</u>

Number of ordinary shares on issue at reporting date

143,347,222	140,850,961	140,141,821
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10 CASH FLOW INFORMATION

	As at Dec 06	As at Dec 05
	\$m	\$m
<i>Reconciliation of cash</i>		
For the purposes of the statement of cash flows, cash and cash equivalents includes:		
Cash and cash equivalents	242.4	290.7
Due from other financial institutions	82.5	62.7
Due to other financial institutions	(134.1)	(68.2)
Other	-	0.2
Cash and cash equivalents at the end of the half year	<u>190.8</u>	<u>285.4</u>

Cash and cash equivalents are items readily convertible into cash and generally repayable on demand. Amounts due to and from other financial institutions relate to inter-bank settlement processes and are generally repaid within 2 working days.

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the cash flow statement: Loans, Investment securities, Retail deposits and Wholesale deposits.

11 ISSUED CAPITAL

Issued and paid up capital

Ordinary shares fully paid - 143,347,222 (2005: 140,141,821)	595.7	555.8
Preference shares of \$100 face value fully paid - 900,000 (2005: partly paid to \$50)	88.5	43.5
	<u>684.2</u>	<u>599.3</u>

Movements in ordinary shares on issue

Opening balance 1 July - 140,850,961 (2005: 139,106,669)	564.1	546.3
Shares issued under:		
Bonus share scheme - 156,945 @ \$13.62 (2005: 168,244 @ \$11.07)	-	-
Dividend reinvestment plan - 818,654 @ \$13.62 (2005: 866,908 @ \$11.07)	11.1	9.5
Employee share plan - 1,520,662 @ \$13.54 (2005: Nil)	20.6	-
Other	(0.1)	-
Closing balance 31 December - 143,347,222 (2005: 140,141,821)	<u>595.7</u>	<u>555.8</u>

Movements in preference shares on issue

Opening balance 1 July - 900,000 fully paid (2005: 900,000 paid to \$50)	88.3	43.0
Payment of unpaid portion of existing shares	0.2	-
Share issue expenses offset by tax benefit	-	0.5
Closing balance 31 December - 900,000 fully paid (2005: 900,000 paid to \$50)	<u>88.5</u>	<u>43.5</u>

12 AVERAGE BALANCE SHEET AND RELATED INTEREST

For the six month period ended 31 December 2006

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates				
Interest earning assets				
Cash and cash equivalents	1	202.6	1.9	1.86
Financial assets (treasury) available for sale & held to maturity		1,934.7	61.8	6.34
Loans and other receivables - company		8,520.8	329.6	7.67
Loans and other receivables - alliances		3,837.7	135.3	6.99
		14,495.8	528.6	7.23
Securitisation interest earning assets		361.6	13.8	7.57
Total interest earning assets	2,3	14,857.4	542.4	7.24
Non interest earning assets				
Property, plant & equipment		96.2		
Provisions for doubtful debts		(18.6)		
Other assets		584.9		
		662.5		
Total assets (average balance)		15,519.9		
Interest bearing liabilities and equity				
Deposits				
Retail - company		6,919.7	148.4	4.25
Retail - alliances		4,650.1	130.3	5.56
Wholesale - domestic		1,162.2	33.3	5.68
Wholesale - offshore		921.1	29.3	6.31
Other borrowings				
Subordinated debt		300.7	10.9	7.19
		13,953.8	352.2	5.01
Securitisation interest bearing liabilities		343.9	12.4	7.15
Total interest bearing liabilities	2	14,297.7	364.6	5.06
Non interest bearing liabilities and equity				
Other liabilities		309.2		
Equity		913.0		
		1,222.2		
Total liabilities and equity		15,519.9		
Interest margin and interest spread				
Interest earning assets		14,857.4	542.4	7.24
Interest bearing liabilities		(14,297.7)	(364.6)	(5.06)
Net interest income and interest spread	4		177.8	2.18
Net interest margin	5			2.37

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.92
Less impact of community bank/alliances share of net interest income	0.55
Net interest margin	2.37

1 Average balance is based on monthly closing balances from 30 June 2006 through 31 December 2006 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$27.7m to reflect gross amounts.

3 Interest income includes \$3.1m of application fee income reclassified under AIFRS.

4 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

5 Interest margin is the net interest income as a percentage of average interest earning assets.

12 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

For the six month period ended 30 June 2006

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates				
Interest earning assets				
Cash and cash equivalents	1	214.0	1.6	1.51
Financial assets (treasury) available for sale & held to maturity		1,738.5	48.8	5.66
Loans and other receivables - company	2	8,349.0	303.4	7.33
Loans and other receivables - alliances		3,381.9	111.6	6.65
		<u>13,683.4</u>	<u>465.4</u>	<u>6.86</u>
Securitisation interest earning assets		418.4	14.9	7.18
Total interest earning assets	3,4	<u>14,101.8</u>	<u>480.3</u>	<u>6.87</u>
Non interest earning assets				
Property, plant & equipment		72.0		
Provisions for doubtful debts		(17.9)		
Other assets		442.8		
		<u>496.9</u>		
Total assets (average balance)		<u>14,598.7</u>		
Interest bearing liabilities and equity				
Deposits				
Retail - company		6,853.8	139.4	4.10
Retail - alliances		4,203.9	109.3	5.24
Wholesale - domestic		889.8	24.1	5.46
Wholesale - offshore		828.7	24.6	5.99
Other borrowings				
Subordinated debt		307.1	10.2	6.70
		<u>13,083.3</u>	<u>307.6</u>	<u>4.74</u>
Securitisation interest bearing liabilities		402.3	12.6	6.32
Total interest bearing liabilities	3	<u>13,485.6</u>	<u>320.2</u>	<u>4.79</u>
Non interest bearing liabilities and equity				
Other liabilities		283.3		
Equity		829.8		
		<u>1,113.1</u>		
Total liabilities and equity		<u>14,598.7</u>		
Interest margin and interest spread				
Interest earning assets		14,101.8	480.3	6.87
Interest bearing liabilities		(13,485.6)	(320.2)	(4.79)
Net interest income and interest spread	5		160.1	2.08
Net interest margin	6			2.29

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.79
Less impact of community bank/alliances share of net interest income	0.50
Net interest margin	2.29

1 Average balance is based on monthly closing balances from 31 December 2005 through 30 June 2006 inclusive, with the exception of Wholesale domestic which is based on a daily closing balance.

2 Interest on loans and receivables-company has been adjusted by \$0.8m between December 2005 half year and June 2006 half year to reflect an AIFRS adjustment relating to loan application fees.

3 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$21.6m to reflect gross amounts.

4 Interest income includes \$4.3m of application fee income reclassified under AIFRS.

5 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

6 Interest margin is the net interest income as a percentage of average interest earning assets.

12 AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

For the six month period ended 31 December 2005

	Note	Average Balance \$m	Interest 6 mths \$m	Average Rate %
Average balances and rates				
Interest earning assets				
Cash and cash equivalents	1	199.6	1.4	1.39
Financial assets (treasury) available for sale & held to maturity		1,671.8	48.2	5.72
Loans and other receivables - company	2	8,191.9	299.6	7.25
Loans and other receivables - alliances		2,995.7	100.0	6.62
		<u>13,059.0</u>	<u>449.2</u>	<u>6.82</u>
Securitisation interest earning assets		506.7	18.3	7.16
Total interest earning assets	3,4	<u>13,565.7</u>	<u>467.5</u>	<u>6.84</u>
Non interest earning assets				
Property, plant & equipment		58.6		
Provisions for doubtful debts		(24.6)		
Other assets		413.5		
		<u>447.5</u>		
Total assets (average balance)		<u>14,013.2</u>		
Interest bearing liabilities and equity				
Deposits				
Retail - company		6,700.0	138.2	4.09
Retail - alliances		3,715.0	97.5	5.21
Wholesale - domestic		795.8	22.1	5.51
Wholesale - offshore		999.9	28.9	5.73
Other borrowings				
Subordinated debt		282.8	9.6	6.73
		<u>12,493.5</u>	<u>296.3</u>	<u>4.70</u>
Securitisation interest bearing liabilities		493.9	16.2	6.51
Total interest bearing liabilities	3	<u>12,987.4</u>	<u>312.5</u>	<u>4.77</u>
Non interest bearing liabilities and equity				
Other liabilities		235.0		
Equity		790.8		
		<u>1,025.8</u>		
Total liabilities and equity		<u>14,013.2</u>		
Interest margin and interest spread				
Interest earning assets		13,565.7	467.5	6.84
Interest bearing liabilities		(12,987.4)	(312.5)	(4.77)
Net interest income and interest spread	5		155.0	2.06
Net interest margin	6			2.27

Impact of community bank/alliances profit share arrangements

Net interest margin before community bank/alliances share of net interest income	2.72
Less impact of community bank/alliances share of net interest income	0.45
Net interest margin	2.27

1 Average balance is based on monthly closing balances from 30 June 2005 through 31 December 2005 inclusive, with the exception of Wholesale domestic which is based on daily closing balance.

2 Interest on loans and receivables-company has been adjusted by \$0.8m between December 2005 half year and June 2006 half year to reflect an AIFRS adjustment relating to loan application fees.

3 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by \$18.7m to reflect gross amounts.

4 Interest income includes \$2.9m of application fee income reclassified under AIFRS.

5 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

6 Interest margin is the net interest income as a percentage of average interest earning assets.

13 CAPITAL ADEQUACY AND ACE RATIO

a. Capital adequacy

The Australian Prudential Regulation Authority (APRA) guidelines require capital to be allocated against credit and market risk. Banks must maintain a ratio of qualifying capital (comprising Tier 1 and Tier 2 capital), to risk weighted assets, and off-balance sheet exposures determined on a risk weighted basis, of which at least half must be Tier 1 capital. The Bank adopted the "standard model" approach prescribed by APRA to measure market risk. The resultant capital after applying a numeric conversion factor, forms part of risk-weighted assets.

APRA amended its prudential regulations in response to the implementation of AIFRS and these changes took effect on 1 July 2006. Therefore, capital adequacy calculations for December 2006 are prepared under AIFRS. As part of the transition to AIFRS based calculations many financial institutions were granted transitional relief adjustments by APRA until 31 December 2007. There is no AIFRS transitional adjustment included in the Bendigo Bank capital adequacy calculation.

	Consolidated	
	Dec 2006	Jun 2006
	\$m	\$m
Risk weighted capital ratios		
Tier 1	8.38%	8.33%
Tier 2	2.57%	2.44%
Total capital ratio	10.95%	10.77%
Qualifying Capital		
<i>Tier 1</i>		
Contributed capital	684.2	652.4
Retained profits & reserves	180.1	166.7
Less,		
Intangible assets	96.1	77.2
Net future income tax benefit	-	17.9
Deferred tax assets	7.0	-
Other adjustments as per APRA advice	8.0	10.5
Total Tier 1 capital	753.2	713.5
<i>Tier 2</i>		
General reserve for credit losses/collective provision (net of tax effect)	49.6	46.7
Subordinated debt	287.1	307.1
Asset revaluation reserves	31.0	3.0
Cashflow hedges unrealised gains/losses reserve	14.2	-
	381.9	356.8
Less,		
Subsidiary investment residual	-	9.0
Total Tier 2 capital	381.9	347.8
Less,		
Investments in non-consolidated subsidiaries or associates and other bank's capital instruments	141.5	138.2
Subsidiary investment residual	9.0	-
Total qualifying capital	984.6	923.1
Total risk weighted assets	8,992.9	8,566.9

b. Adjusted Common Equity ("ACE")

Adjusted Common Equity is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio has been calculated in accordance with the Standard & Poor's methodology.

	Consolidated	
	Dec 2006	Jun 2006
	\$m	\$m
Adjusted Common Equity		
Tier 1 capital	753.2	713.5
Deduct,		
Preference share capital	88.5	88.3
Subsidiary investment residual	9.0	9.0
Investments in non-consolidated subsidiaries or associates and other banks' capital instruments	141.5	138.2
Total Adjusted Common Equity	514.2	478.0
Adjusted Common Equity ratio to risk weighted assets	5.72%	5.58%

14 CONTINGENT ASSETS AND LIABILITIES

	Consolidated	
	2006	2005
(a) Contingent liabilities	\$m	\$m
Guarantees		
The economic entity has issued guarantees on behalf of clients in the normal course of business	102.3	90.3
Other		
Documentary letters of credit	9.5	7.7

As the probability and value of guarantees, letters of credit and performance related obligations that may be called on is unpredictable, it is not practical to state the timing of any potential payment.

(b) Contingent assets

As at 31 December 2006, the economic entity does not have any contingent assets (2005: Nil).

15 EVENTS AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half year to the date of this financial report which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial periods.

On 12 February 2007 the directors of Bendigo Bank Limited declared an interim dividend of 24.0 cents per ordinary share (fully-franked) in respect of the December 2006 half year payable on 30 March 2007. The amount estimated to be appropriated in relation to this dividend is \$32.8 million. The dividend has not been provided for in the 31 December 2006 half year financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Bank Limited, I state that:

In the opinion of the directors:

- (a) the half year financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2006 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



R Johanson, Chairman

Bendigo

Dated this 12th day of February 2007

AUDITOR'S INDEPENDENT REVIEW REPORT

To the members of Bendigo Bank Limited



Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, condensed income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Bendigo Bank Limited (the "company") and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December. 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Director's Report. In addition to our review of the financial report, we were engaged to undertake other services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Bendigo Bank Limited and the entities it controlled during the period is not in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and its performance for the period ended on that date; and
- (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Brett Kallio

Partner

Bendigo

Dated this 12th day of February 2007

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